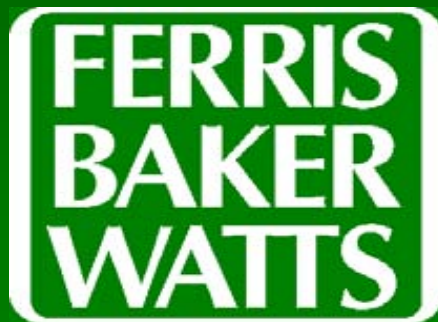


# ***Financing Biogas Projects: The Capital Markets Perspective***

**AgSTAR National Conference**

**Tina K. Neal**



**Member NYSE, SIPC**

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# Fixed Income Capital Markets

- ✓ **Role of Underwriters & Placement Agents**
- ✓ **Debt Offerings**
  - ◆ Tax-Exempt Bonds
  - ◆ Taxable Bonds
  - ◆ Public vs. Private Sale
- ✓ **Equity Offerings**
- ✓ **Mergers & Acquisitions**

# Underwriting Criteria – Mitigation of Risk

- ✓ **Minimum Amount: ~ \$5 Million**
- ✓ **Feedstock Supply Agreements**
- ✓ **Offtake Agreements**
- ✓ **Management Credibility/Experience**
- ✓ **No or Minimal Technology Risk**

# **Underwriting Criteria – Mitigation of Risk (con't.)**

- ✓ **Feasibility Studies**
- ✓ **EPC Contracts (when available)**
- ✓ **Issued Through Industrial Development Authorities**
- ✓ **State Law Requirements**

# Tax-Exempt Debt Offerings

- ✓ **Solid Waste Bonds**
- ✓ **Qualified Manufacturing Facilities**
  - ◆ Private Placements
  - ◆ Qualified Institutional Buyers
  - ◆ High Yield Investors

# Taxable Debt Offerings

- ✓ **Private Placements (144a)**
- ✓ **SEC Registration**
- ✓ **Buyers**
  - ◆ Select Financial Institutions
  - ◆ Insurance Companies

# Structuring the Deal

- ✓ **Deal Sizing**
- ✓ **Amortization Term = Length of Offtake Contracts**
- ✓ **Construction Period Interest**
- ✓ **Operating Reserves**
- ✓ **Interest Only Periods**

# Current Market Conditions

- ✓ **Subprime Losses Leading to “Flight to Quality”**
- ✓ **Higher Interest Rates on Riskier Grade Securities**
- ✓ **Increasing Equity Requirements**
- ✓ **More Selective In Risk Tolerance**